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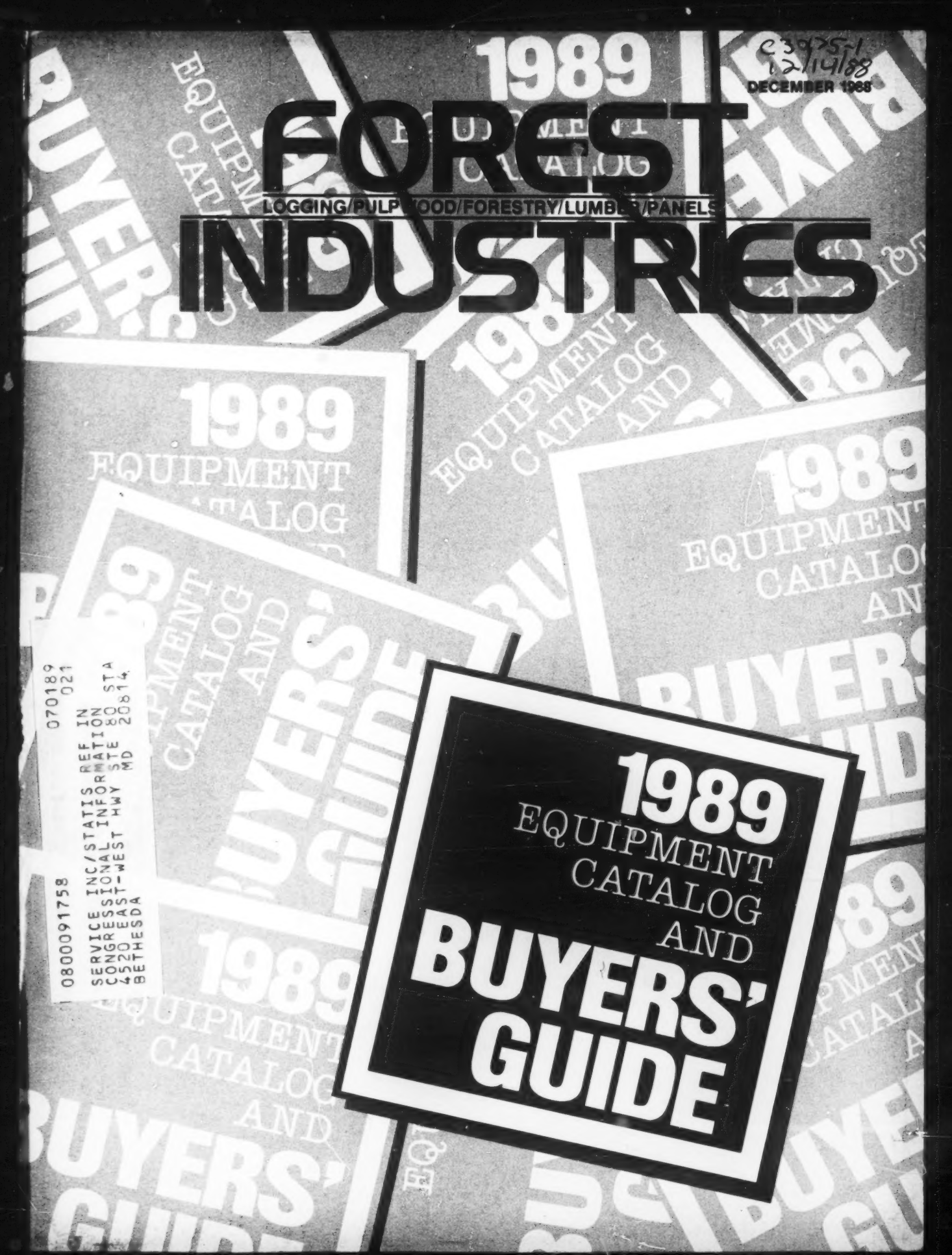
DECEMBER 1988

FOREST INDUSTRIES

LOGGING/PULPWOOD/FORESTRY/LUMBER/PANELS



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While paper earnings soar, solid wood declines

SAN FRANCISCO, CALIF.—Integrated forest products corporations continued to draw strength from booming pulp and paper markets in the third quarter of 1988. However, financial reports indicated solid-wood revenues were soft —falling sharply in some cases from year-ago levels—due mainly to depressed prices caused by a slow rate of new home construction. Some companies also experienced production losses due to strikes this summer and fall.

But the firms involved heavily in the paper segment did well, and 1988 is foreseen as a record year for the pulp and paper industry.

"Although our pulp segment continues to produce record results, we're experiencing a softening of demand and price levels for building products," remarked Harry A. Merlo, chairman and president of Louisiana-Pacific Corp.

"Lumber prices were about 10% lower in this year's third quarter than in the third quarter of 1987," Merlo said. "Plywood prices were off about 8.5%. Prices of OSB panels were 14% lower."

Operating profit of the building products group was $44.5 million for the quarter, a 33.3% drop from the comparable period a year ago; for nine months $133.5 million, an 18.3% slide.

Temple-Inland Inc.'s two paper groups reported record earnings for the quarter, while "our building products group had sharply lower earnings," noted president and CEO Clifford J. Grum. Building products manufacturing earnings were $4 million for the quarter, a drop of 59.2% from third-quarter 1987; the nine-month figure of $20.2 million represented a 33.1% decline.

A similar refrain came from Georgia-Pacific Corp., where chairman and CEO T. Marshall Hahn indicated that "overall performance for the third quarter was sound" based on healthy demand for pulp, linerboard and uncoated freesheet paper.

"Operating profits in our building products business were down—$120 million in the 1988 third quarter versus an all-time high of $156 million in 1987. Sales volume was good during the quarter, but weak pricing for plywood and lumber products adversely affected our profit levels," Hahn stated.

Boise Cascade Corp. chairman and CEO John B. Fery observed that a nine-week strike affecting 15 of the company's 28 U.S. wood products facilities reduced third-quarter operating rates for the company's plywood and lumber mills by 20% and 30%, respectively, compared with the same period a year ago. Building products operating income for the quarter was $3.216 million,

U.S., Canadian forest industry results, third quarter 1988 ($ millions)

Company	Sales	% change 1988/87	Earnings[1]	% change 1988/87
Abitibi-Price	C813.4	8.5	C44.5	34.8
Boise Cascade Corp.	1,000.0	0.3	71.9	42.7
Canadian Pacific For. Prods.	C766.0	10.5	C92.6	61.9
Canfor Corp.	C268.9	(15.7)	C31.9[2]	2.6
Champion International	1,285.7	7.2	122.4	38.0
Chesapeake Corp.	188.4	5.0	14.3	293.2
Consolidated-Bathurst	C595.5	6.8	C61.6[3]	35.1
Crestbrook Forest Ind. Ltd.	C67.3	9.5	C9.5	54.0
Domtar Inc.	C684.0	5.1	C27.0	(22.9)
Federal Paper Board	254.6	7.1	34.7	64.3
Fletcher Challenge Canada[4]	C351.1	(1.4)	C40.1	16.6
Georgia-Pacific Corp.	2,400.0	(0.8)	144.0	(3.4)
Great Northern Nekoosa	937.7	41.1	92.3	65.7
International Paper Co.	2,400.0	20.0	201.0	97.1
International For. Prods.	C109.8	4.5	(C0.3)	(102.6)
Louisiana-Pacific Corp.	462.9	0.4	36.7[5]	(11.4)
MacMillan Bloedel Ltd.	C824.4	0.9	C70.5	(14.8)
Noranda Forest Inc.	C1,143.0	2.7	C66.0	13.8
Normick Perron Inc.	C54.4	34.3	C2.6	73.3
Pope & Talbot Inc.	123.3	8.6	8.5	19.8
Potlatch Corp.	273.7	10.9	28.3	25.2
Primex Forest Ind. Ltd.	C19.3	22.1	(C0.2)	(120.6)
Slocan Forest Products	C43.3	0.7	C2.7	(20.6)
Stone Container Corp.	1,022.0	12.7	89.1	100.2
Temple-Inland Inc.	454.6	8.5	53.0	38.7
Union Camp Corp.	669.8	11.5	75.0	32.7
Weldwood of Canada Ltd.	C232.6	15.3	C17.8	21.9
Westvaco Corp. (7/31)	532.2	10.5	51.8	20.0
Weyerhaeuser Co.	1,959.9	7.7	144.8	14.8
Willamette Industries	441.0	17.0	39.0	21.9

1. Income after taxes from continuing operations, excluding most significant non-recurring items in both years. 2. Includes extraordinary item of C$9.4 million resulting from reorganization of Canfor USA Corp. 3. Year-ago earnings of C$45.5 million do not include an extraordinary gain of C$28.8 million. 4. Results do not include Crown Forest Industries. 5. 1987 earnings restated to reflect discontinued operations.

down 87.7% from third-quarter 1987.

Continued strength in pulp, paper and linerboard markets was credited by Willamette Industries president and CEO William Swindells with record sales and earnings through the first nine months. "While particleboard and medium-density fiberboard prices held steady during the quarter, lumber and plywood prices fluctuated dramatically because of the West Coast woodworkers' strike," he observed.

With record earnings for the third quarter and nine months, Pope & Talbot Inc. followed the same pattern.

Weyerhaeuser Co. also reported softness in prices for lumber and structural panels, and cited logging curtailments due to fire danger as a factor causing earnings growth in the third quarter to slow from the first-half rate. ■

HOLDINGS UNITED

Noranda creates new wood panel subsidiary

TORONTO, ONT.—Noranda Forest Inc. has consolidated North American and European wood-based panel operations of various holdings into a new, wholly owned subsidiary called Noranda Panelboard Inc.

Elements consist of Northwood Panelboard Co., Solway, Minn. (OSB); Atlantic Waferboard Inc., Chatham, N.B.; the particleboard division of James Maclaren Industries Inc., Lac des Iles, Que.; and Highland Forest Products plc, Morayhill, Scotland (OSB).

Noranda purchased Highland Forest Products, Europe's first OSB mill, earlier this year for $21 million. ■

LABOR PACTS INKED

Pope & Talbot settles; some loose ends remain

PORTLAND, ORE.—Echoes of summer and fall strikes at western lumber and plywood mills are beginning to subside. Settlements and negotiations continue as some employees work without contracts and others are off the job. Recent developments:

Pope & Talbot Inc. employees at Port Gamble, Wash., and Oakridge, Ore., ratified a settlement with the Western Council of Industrial Workers on the second vote. The agreement parallels the earlier settlement with Willamette Industries Inc., essentially a four-year contract containing a ratification bonus of $1400, a 3% wage increase in 1989 and 4% thereafter. The P&T contract also spells out a probable-cause drug testing policy.

Coos Head Lumber Co., Coos Bay, Ore., and the International Woodworkers of America-U.S. settled on a two-year contract retroactive to June 1. Terms include an immediate 5½% wage increase and 2% next June 1.

Further meetings scheduled: John Day Lumber Co., John Day, Ore.; Roseburg Lumber Co., Roseburg, Ore.

New strike: Snow Mountain Pine Co. and Tecton Laminates, Hines, Ore.; some 450 WCIW members went on strike Oct. 21.

Old strike: Summit Timber Co., Darrington, Wash., operating with replacement workers; no meetings scheduled. ■

HIGH PRICES FELT

Housing starts steady, interest rates decline

WASHINGTON, D.C.—New home construction in September continued almost level on a seasonally adjusted annual rate basis, rising 1.5% to 1.453 million from a revised August rate of 1.431 million units.

The annual rate of starts for the third quarter was 1.45 million, versus 1.48 million in the first and second quarters of 1988. Most industry sources have zeroed in on 1.45 million units as the year's expected total.

The drop in starts from 1.62 million last year conceals sustained strength in the single-family sector, where starts are expected to top one million for the sixth year in a row. Single-family homes historically consume more wood per unit than multiples.

Actual starts for the first nine months of the year totaled 1,142,700 units, a drop of 10.5% from 1987. Single-family units fell 7.8%, multi-family units plummeted 17.3%.

The housing market's historic sensitivity to mortgage interest rates has been blamed for the decline in starts this year and for predicted additional softness in 1989. However, in the final months of 1988, some observers identified another culprit: high prices, which are excluding a growing percentage of the population from the market.

Many lending institutions were offering 30-year fixed-rate mortgages below 10% in the last week of October, although the nationwide average was pegged at 10.22% by the Federal Home Loan Mortgage Corp.

Fixed-rate mortgages dipped briefly below 10% last March, then rose in succeeding months to a peak of nearly 11% in August, when rates started going down again. Adjustable-rate mortgages average 8.1%. ■

NEW PANEL RECIPE

Gypsum composites: North American debut

SAN FRANCISCO, CALIF.—A product new to North America has hit the news suddenly with announcements that two gypsum fiberboard plants will be constructed on the East Coast, one in Canada and one in the United States.

Louisiana-Pacific Panel Products Ltd., a wholly owned subsidiary of Louisiana-Pacific Corp., will build a gypsum fiberboard plant on Cape Breton Island in Nova Scotia. Construction is to begin in 1989, with completion in 1990. The plant will employ about 100 people and produce 240 million ft^2/yr (½-in. basis). Maximum panel size will be 8 by 24 ft. Separately, it has been announced that a new company, Highland America, will build a gypsum fiberboard plant at East Providence, R.I., to be completed in November 1989.

Details of the L-P process were not released. The Highland plant will use a Würtex forming system and a Küsters continuous press measuring approxi-

(continued on p. 13)

Lodgepole pine nears 'major species' status

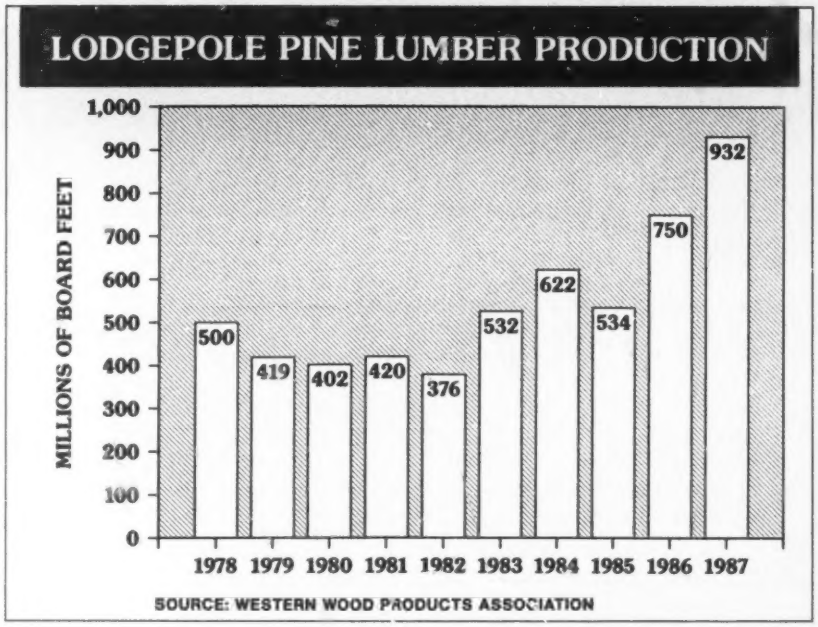
PORTLAND, ORE.—Old-timers often call it jackpine. Doghair, if it's dense and untended. But statistics show lodgepole pine is a western species gaining new respect.

Lodgepole pine lumber production in 1987 reached an all-time high of 932 million bd ft, reported the Western Wood Products Assn. This is close to the 1 billion bd ft mark that would qualify it for the unofficial "major species" category.

A decade ago, the production level was 500 million bd ft. It dipped as low as 376 million in 1982 (when everything dipped) and has been on a zigzag upward course since then.

WWPA officials credited high overall lumber consumption and a surge of salvage activity following severe mountain pine beetle infestation. Modern small-log processing techniques (lodgepole typically measures 6 to 10 in. dbh) must also share the credit.

Lodgepole pine is typically sawn into dimension and boards, and shipped mixed with other species of similar strength characteristics: Engelmann spruce, ponderosa pine and alpine fir. It is also included in Canada's spruce-pine-fir grouping. ■



International program established at FPL

MADISON, WIS.—A new program on international forest products was established recently at the U.S. Forest Service's Forest Products Laboratory (FPL).

The International Forest Products Research, Development and Application (RD&A) Program will link U.S. researchers and industry with forest products technologies and research being developed abroad and will assist the research efforts of developing nations.

"This unit will foster greater cooperation between the U.S. and other countries in ways that will benefit both," according to FPL director John Erickson.

Gary Lindell, former FPL assistant director for processing and protection research, has been named program manager. He will be assisted by Bob Maeglin, research forest products technologist, who will coordinate the tropical forestry aspects of the program.

"Until now, FPL has been primarily reactive to international interests," Lindell noted. "The International Forest Products program will allow a proactively managed program for addressing this growing area."

Connecting people with information, technology or funding with others in need of those resources will be a key result of the program, Lindell said. "We see ourselves as a catalyst to make research and information exchange possible."

He outlined three major functions for the new program. The first will be to seek out technologies being developed elsewhere that will be useful to U.S. industries. Many countries, such as France, Japan, Great Britain and Finland, have their own strong forest products research program, producing technologies that could affect the world market for forest products. Where appropriate, joint research projects with such countries may be developed.

Second, he sees the program continuing FPL's traditional support for forest products research in developing nations.

A third function of the program will be to bring foreign cooperator scientists to the Forest Products Lab for joint research and training.

Erickson emphasized the new program will supplement and support existing Forest Service international forestry efforts. This unit will be a key technical advisor on forest products for the agency's International Forestry staff in Washington, D.C. They also will be looking for opportunities to involve other Forest Service research stations, State & Private Forestry, and universities in cooperative ventures. ■

COFI project promotes wood use in China

VANCOUVER, B.C.—British Columbia lumbermen are going to China to show that timber-poor country how to use wood for building. The demonstration is a joint industry-federal government project being organized by the Council of Forest Industries in B.C. (COFI).

The demonstration teams will build a farmhouse and two different types of industrial buildings in Beijing.

The farmhouse is of particular interest to the Chinese, who usually rely on brick and concrete for construction, primarily because they have so little wood.

In the industrial buildings wood will be used to demonstrate its use as trusses in pitched roofs.

This latest demonstration project follows a similar exercise in Shanghai in 1987. COFI president Mike Apsey says the Shanghai pilot project was viewed by thousands of Chinese visitors and was judged a great success.

The new buildings are scheduled to be finished by mid-1989. ■

FOREST INDUSTRIES

Combining *The Timberman* and *The Lumberman*

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